

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 7698

BILL NUMBER: HB 1444

DATE PREPARED: Jan 11, 1999

BILL AMENDED:

SUBJECT: Contracting out government services.

FISCAL ANALYST: Susan Preble

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**FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL**

IMPACT: State

Summary of Legislation: This bill provides that a solicitation for a contract between a governmental body and a contractor to perform any of the functions of the governmental body currently performed by the governmental body's employees must: (1) require offerors to provide objective, verifiable evidence satisfactory to the governmental body that if the offeror is awarded a contract, the cost of the contract over the term of the contract will be less than the cost to the governmental body of performing the functions covered by the contract with the governmental body's employees over the term of the contract; and (2) that the contract must include a provision that the governmental body may not pay to the contractor during the term of the contract more than the contractor determined the governmental body would have spent to perform the functions under the contract with the governmental body's employees over the term of the contract. It provides that an offeror for such a contract may not be considered responsive if the offeror does not provide the required evidence. It also requires such contracts to contain the provisions required by the solicitation.

Effective Date: July 1, 1999.

Explanation of State Expenditures: This bill may increase state expenditures because it will require governmental entities to do a cost analysis in order to evaluate each proposal to perform services currently performed by governmental employees before that service can be contracted out to a private contractor. It may also lower potential savings because contractors may increase their bids in order to lower their risk, even if they can perform the service for an amount lower than the bid and still make a profit.

However, if contractors offer to perform a service for an amount less than what they would have bid without knowing the results of the cost analysis, then a governmental entity may experience some savings.

Explanation of State Revenues:

Explanation of Local Expenditures: See Explanation of State Expenditures above.

Explanation of Local Revenues:

State Agencies Affected: Department of Administration; other agencies which contract for services currently performed by governmental employees.

Local Agencies Affected: Entities which contract for services currently performed by governmental employees.

Information Sources: Jay McQueen, Department of Administration, (317) 232-7636.